



Indiana State Teachers' Retirement Fund

FRANK O'BANNON, Governor
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RE: Buying Service Credit for Retirement

Dear School Official:

The State of Indiana Retirement Incentive Program introduced last week by Governor O'Bannon will not effect most Indiana teachers or administrators. Only those teachers who have at least one year of service as a state employee (receiving a paycheck or W-2 from the Auditor of State) or those who have taught or are currently teaching in a state facility or were otherwise under the jurisdiction of the Indiana Department of Personnel may participate. Teachers who have spent their careers teaching in public schools do not qualify.

It is our privilege to announce, however, that the 2002 General Assembly did pass legislation to permit teachers to buy additional service credit to advance or improve retirement benefits. "Air Time" as the concept is known, is simply the ability to buy one year of service credit without physically working an additional 120 days.

Several rules apply. The teacher must have 10 years of TRF/PERF service in order to purchase the credit. One year of service credit can be bought for each 5 years of actual service. For example, after teaching for 10 years, a member may buy 2 years of "air time". Another year can be purchased after fifteen years of service. The teacher still must meet the age requirements in order to be eligible for full benefits.

The price of the service credit bought is based on an actuarial formula using the member's age, service and salary. Payment must be completed before retirement.

The method of payment may be any of the following:

- a) by lump sum, personal check, or by installment,
- b) by a rollover from a 401k plan, a 403b tax sheltered annuity, or a governmental 457 plan, or
- c) by rollover from a traditional IRA.

Please note an employing school also may choose to purchase this service for their employees.

There is no charge, nor obligation, for having the cost of purchasing a year of air time calculated. In fact, within a few days of your receiving this letter, employees will be able to use our web-site cost calculator to obtain the figures immediately.

To learn more about air time, to figure its purchase price, or to obtain a form, please encourage your teaching professionals to call this office or to go to our website at <http://www.in.gov/trf>.

Sincerely,

Signed by William E. Christopher, Ph.D.

William E. Christopher, Ph.D.
Executive Director